



ST. CHARLES  
SINCE 1834

## AGENDA ITEM EXECUTIVE SUMMARY

Title: Recommendation of a proposal from CCMSI in the amount of \$19,615 for third party administration services for workers' compensation services for fiscal year 2013/2014

Presenter: Lynn Creedon

*Please check appropriate box:*

X	Government Operations – 5/20/13	Government Services
	Planning & Development	City Council – 6/3/2013
	Public Hearing	

Estimated Cost:	\$19,615	Budgeted:	YES	X	NO
-----------------	----------	-----------	-----	---	----

If NO, please explain how item will be funded:

**Executive Summary:**

The City issued an RFP in 2008 for workers' compensation third party administration services. CCMSI was selected as the vendor, with both the lowest price and best service. Their proposed service fees have decreased over the past four years, from \$32,100 in 2008/09, to \$30,150 in 2009/10, to \$28,225 in 2010/2011, to \$27,775 in 2011/2012, to \$23,539 in 2012/13. This year's proposal reflects another decrease to \$19,615. This year's Fee and Payment Schedule addendum to the original contract changes the effective date to match the City's fiscal year. Part of the savings is the result of the date change, but the savings also reflect our collaborative efforts to reduce the number and costs of workers' compensation claims over the years. Between 2007/08 and 2011/12 our total claims decreased from 95 to 44, and our total costs incurred decreased from \$1,773,810.94 to \$559,117.49. The next RFP for workers' compensation administration services is scheduled for this year. Once again, we would like to select CCMSI as the City's vendor for this fiscal year.

**Attachments:** *(please list)*

Fee Proposal Effective July 1, 2013 – April 30, 2014

**Recommendation / Suggested Action** *(briefly explain):*

Recommendation of a proposal from CCMSI in the amount of \$19,615 for third party administration services for workers' compensation services for fiscal year 2013/2014.

*For office use only:*

*Agenda Item Number:* 5c

**ADDENDUM TO SERVICE AGREEMENT BETWEEN  
CITY OF ST. CHARLES AND  
CANNON COCHRAN MANAGEMENT SERVICES, INC.**

THIS ADDENDUM is made and entered into this 1st day of July, 2013 by and between City of St. Charles (the "Client") and Cannon Cochran Management Services, Inc., ("CCMSI"), a Delaware corporation. By this Addendum, the July 1, 2012 to June 30, 2013 Service Agreement is automatically continued with the pricing provisions outlined below. This pricing is effective on July 1, 2013 and terminates on April 30, 2014.

**FEE AND PAYMENT SCHEDULE**

Life of this Agreement: July 1, 2013 – April 30, 2014 (10 months)									
<b>Services:</b>	<b>Fees:</b>								
<b>Claims Administration (minimum)</b>	<b>\$15,449</b>								
CCMSI will manage newly reported Workers Compensation claims for the life of this Agreement for a per claim fee as follows:									
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th style="padding: 5px;">CLAIM TYPE</th> <th style="padding: 5px;">Fees</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Indemnity</td> <td style="padding: 5px;">\$824 Per Claim up to 9 claims</td> </tr> <tr> <td style="padding: 5px;">Medical Only</td> <td style="padding: 5px;">\$144 Per Claim up to 21 claims</td> </tr> <tr> <td style="padding: 5px;">Incident Only</td> <td style="padding: 5px;">\$35 Per Claim up to 21 claims</td> </tr> </tbody> </table>		CLAIM TYPE	Fees	Indemnity	\$824 Per Claim up to 9 claims	Medical Only	\$144 Per Claim up to 21 claims	Incident Only	\$35 Per Claim up to 21 claims
CLAIM TYPE	Fees								
Indemnity	\$824 Per Claim up to 9 claims								
Medical Only	\$144 Per Claim up to 21 claims								
Incident Only	\$35 Per Claim up to 21 claims								
Claims will be analyzed by the number of claims as well as the type of claim on an on-going basis and priced on a per claim fee as outlined above. Any additional charges over the minimum claim volume will be billed at the expiration of the policy term and quarterly thereafter.									
<p><b>The flat rate unit prices quoted includes:</b></p> <ul style="list-style-type: none"> <li>• Prompt and courteous customer service</li> <li>• Timely investigation and determination of compensability in accordance with CCMSI Best Practices</li> <li>• Strict adherence to state workers compensation statutes and regulations, attendance at hearings, as required.</li> <li>• Preparation for and compliance with and response to regulatory audits</li> <li>• Timely payment of all legitimate claims</li> <li>• Fraud detection and prevention</li> <li>• Litigation Management</li> </ul>									
<p><i>Note: These prices do not include those costs typically identified and expense as allocated loss expenses. Please see the attached roster that details those typical allocated loss expense items. (ex. Field investigation &amp; adjusting)</i></p>									

<p><b><u>Workers' Compensation Claim Definitions</u></b></p> <ul style="list-style-type: none"> <li>• <b>Indemnity Claims</b> – Claims involving lost-time, questionable compensability, legal involvement, subrogation, second injury fund, probable permanent impairment/disability, jurisdictional issues, coverage issues or claims involving complex issues that are assigned or transferred to the indemnity adjuster for claims handling.</li> <li>• <b>Medical Only Claims</b> – Claims which have no issues of lost time, no evidence of other indemnity benefit exposure, no obvious question of compensability, no evidence of potential subrogation or second injury fund recovery, no evidence of problematic medical issues and no requirement or need for any formal statements.</li> <li>• <b>Report Only/Incident Only Claims</b> – Reported claims which require only input into RMIS system and requires no claims management activity.</li> </ul>	
<p><b>Annual Administration (7/1/13-4/30/14-10 months)</b></p>	<p><b>\$4,166</b></p>
<p><b>Annual Account Management Fee includes:</b></p> <ul style="list-style-type: none"> <li>• Designated Account Manager</li> <li>• Client Specific Service Instructions</li> <li>• Preparation and participation in Quarterly claims reviews</li> <li>• Monthly loss runs and loss fund activities reports</li> <li>• Filing of all required state forms including state mandated assessments</li> <li>• Reporting to excess/fronting carrier</li> <li>• Computer set-up, training and client specific special analysis codes</li> </ul>	
<p><b>RMIS Fee</b></p>	<p><b>Included</b></p>
<p>Allows for three-user access. Additional user access would be \$250 per person.</p>	
<p><b>Loss Control Services</b></p>	<p><b>Included</b></p>
<p>CCMSI will provide 33 hours of loss control service. The Client shall remain fully responsible for the implementation and operation of its own safety programs and for the detection and elimination of any unsafe conditions or practices.</p> <p>Any additional services are available for rate of \$1000 per day plus expenses or priced per project.</p>	

<b>Managed Care Service</b>	<b>See Detail</b>						
<p><b>Provider Bill Re-pricing</b></p> <table border="0"> <thead> <tr> <th style="text-align: center;">Service</th> <th style="text-align: center;">Fee</th> </tr> </thead> <tbody> <tr> <td>Fee schedule re-pricing</td> <td>Flat Fee \$9.00 per bill</td> </tr> <tr> <td>Usual and Customary re-pricing</td> <td>Flat Fee \$9.00 per bill</td> </tr> </tbody> </table> <p style="text-align: center;"><b><u>PPO Re-pricing</u></b></p> <p style="text-align: center;">Bills with additional PPO discount opportunities below the Fee Schedule will be billed at 30% of savings.</p> <p><b>Pharmacy Network Services</b></p> <p style="text-align: center;">Pharmacy Network services are priced at 33% of savings.</p> <p style="text-align: center;"><b><u>Field Case Management</u></b></p> <p style="text-align: center;">CCMSI does not offer proprietary field case management or vocational rehabilitation services. These are available from third party providers at market price and the cost of these services would be captured as an allocated loss expense to the referral file.</p>	Service	Fee	Fee schedule re-pricing	Flat Fee \$9.00 per bill	Usual and Customary re-pricing	Flat Fee \$9.00 per bill	
Service	Fee						
Fee schedule re-pricing	Flat Fee \$9.00 per bill						
Usual and Customary re-pricing	Flat Fee \$9.00 per bill						
<b>MMSEA Section 111 Reporting</b>	<b>\$25 Per Hit</b>						
<p>CCMSI in conjunction with our reporting agent will comply with MMSEA Section 111 Reporting on behalf of City of St. Charles for a charge of \$25.00 per hit.</p> <ul style="list-style-type: none"> <li>• All injury claims will be submitted to CMS for Medicare eligibility</li> <li>• CCMSI along with our reporting agent will report all claims meeting the reporting guidelines as set forth by CMS.</li> </ul>							
<b>Special System Reports</b>	<b>\$125 an hour</b>						
<p>CCMSI will provide special reports, (reports not currently programmed or written) for a fee of \$125 per hour for system programming time. CCMSI will provide an estimate of charges before any work will be done.</p>							
<b>GRAND TOTAL</b>	<b>\$19,615</b>						
<b>Fee &amp; Payment Schedule</b>	<b>Quarterly</b>						
<p>The quarterly installments will be due on the first day of July 2013, October 2013, January 2014 and April 2014.</p>							

**NOTE: All other terms and conditions as stated in the service agreement shall remain the same.**

Executed this \_\_\_\_\_ day of \_\_\_\_\_,

CANNON COCHRAN MANAGEMENT SERVICES, INC.

By: \_\_\_\_\_  
Rodney J. Golden

Its: Chief Operating Officer/Executive Vice President

CITY OF ST. CHARLES

By

Its: